

RD AN No. 3729 (1944-N)
March 29, 2002

TO: State Directors and District Directors
Rural Development

FROM: James C. Alsop *(Signed by James C. Alsop)*
Acting Administrator
Rural Housing Service

SUBJECT: Housing Preservation Grant (HPG) Program
Fiscal Year (FY) 2002 Preapplications

Purpose/Intended Outcome:

This Administrative Notice (AN) and the attached information provide guidance for handling FY 2002 preapplications for the Housing Preservation Grant (HPG) program.

Comparison With Previous AN:

This AN replaces RD AN No. 3608 (1944) which expired September 30, 2001.

Implementation Responsibilities:

In the February 25, 2002, Federal Register, Rural Housing Service announced it would accept preapplications for HPG funding from February 25, 2002, through May 28, 2002. This 90-day period will be the only time during the current fiscal year that interested organizations or public agencies may apply for funds allocated to the State.

Attachment A to this AN contains additional information for processing FY 2002, preapplications. Attachment B, "Critical Dates - Fiscal Year 2002," contains a list of critical dates necessary for the timely administration of the program. The National Office must receive Exhibit G to RD Instruction 1944-N no later than June 11, 2002. **Please indicate on the Exhibit G the anticipated leveraging for each proposal.**

The National Office reserve funds will be used for natural disaster areas and targeted area programs. The National Office reserve funds will also be used to ensure that each state that has been allocated less than \$100,000 and chooses to return their funds to the National Office pool is able to receive one grant for no more than \$50,000.

EXPIRATION DATE:
September 30, 2002

FILING INSTRUCTION:
Preceding RD Instruction 1944-N

The states that received an allocation of under \$100,000 have the option of using their allocation to make two grants so that no one grantee receives more than 50 percent of the state allocation, or returning their allocation to the National Office pool. Once the State returns their allocation to the National Office, they may request one grant of no more than \$50,000 from the National Office pool.

The Rural Housing Assistance Grants (RHAG) provides flexibility in budget authority between programs. For FY 2002, State Directors will have the flexibility to transfer budget authority between the Section 533 Housing Preservation Grant program and the Section 504 Rural Housing Grant program. Because of the way the accounting system is currently configured, the National Office will have to make these transfers.

The RHAG transfers cannot be referred until after the last day for receipt of HPG preapplications in order to allow time to determine if funds are available for transfer. For FY 2002, State Directors will have the flexibility to transfer up to 25 percent of their initial allocations between the Section 504 Rural Housing Grant program and the Section 533 Housing Preservation Grant program with concurrence by the Administrator. The transfer of funds should be requested only when there is no demand for the funds in the HPG program. Requests for transfer of funds should be submitted to the National Office between May 28, 2002 and August 1, 2002, to ensure adequate processing time.

The appropriations act provides an earmark of \$1,200,000 in the RHAG programs for EZ/EC communities. For FY 2002, \$600,000 will be used in the HPG program. The maximum grant amount from the EZ/EC set aside is \$100,000.

Because of the unique nature and limited amount of funds, these moneys will be retained in the National Office and allocated on a project-by-project basis. Upon closing of the NOFA, applications should be processed to the point of approval and the priority scoring information and a narrative addressing each of the criteria listed below should be submitted to the National Office, Multi-Family Housing Processing Division, Attention: Tracee Lilly, Stop 0781 by June 11, 2002. States may submit one project for each EZ, EC, or REAP. Because of the limited dollars, only your highest priority project for each community should be submitted for funding.

Applications for HPG assistance will be selected on a competitive basis using the following criteria:

1. The proposed project supports the community's strategic plan.
2. The proposed project can be a model for other communities.
3. Financing package is cost efficient.
4. Leveraging as a funding source.

Please review this material carefully. If you have any questions, please contact Tracee Lilly at (202) 720-9729 or Tammy Daniels at (202) 720-0021 of the Multi-Family Processing Division.

Attachments

ADDITIONAL INFORMATION

Preapplication Notice

The State Office should notify all field offices and publish a notice in the local media. The notice should include the field offices where a preapplication package may be obtained and submitted, questions answered, and the open dates that preapplications may be received. States that will be using their state allocation should be aware that the 50 percent rule is mandated by statute. You should note that only a certain dollar amount was allocated to your state. States that intend to return their allocation to the National Office and request funds from the National Office pool must indicate in their notice, so that applicants are aware of the amount of grant they may request. The notice should also state that the preapplication must be either to assist individual homeowners or rental properties or cooperative housing projects. Any combination preapplication will not be accepted. However, an applicant may submit more than one type of preapplication. There will be no funds from the National Office for patchouts or additional projects. Exhibit G to RD Instruction 1944-N is still required to be submitted to the National Office.

Additional Grants

Information about the status of prior grants should be made available to State Office approving officials when applications for additional grants are made. An additional grant may be made to a grantee when it has achieved or nearly achieved the goals established for the previous or existing grant. Grantees who have submitted incomplete or untimely reports, failed to properly monitor their own program, or lack the ability to run their own programs would not qualify for additional grants. Documentation is essential in order to deny continuation under this provision.

Administrative Costs Budgeted or Charged as Program Costs

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee. The indirect cost ratio applies to the total cost of the project. Therefore, HPG administrative costs cannot be more than 20 percent of the total HPG funds.

National Office Reserve

Reserve funds will be used first to ensure that each state with an allocation under \$100,000 that chooses to return their funds to the National Office is able to receive one grant from the National Office pool for not more than \$50,000. The remaining funds in the National Office reserve will be used for natural disasters and targeted areas. Priority use will be for natural disasters. However, states may nominate one targeted area for use of reserve funds, which may not exceed \$50,000. Such proposals may be part of a housing strategy in a targeted area program. The State Director must select the proposal that will best serve the community that is in the greatest need of the HPG program. The applicant must provide sufficient documentation in the proposal that indicates that there is a great need.

Please list any proposal that is nominated for National Office Reserve Funds along with the preapplications in Exhibit G. State Directors may request reserve funds by including sufficient documentation to support the reasons why it is in the Government's best interest to consider the request.

Applications for reserve funds for housing preservation in areas that have experienced a natural disaster may be accepted at any time during the fiscal year. However, funding from FY 2002 funds for such applications must occur prior to September 6, 2002, which is the HPG pooling date.

Preapplications for reserve funds other than natural disaster assistance must be received during the announced HPG application period that ends May 28, 2002. Applications for natural disaster are subject to the same requirements under our review and evaluation procedures as other preapplications; however, they do not need to be ranked. Applications nominated for the reserve funds must be submitted along with other information requested on Exhibit G by June 11, 2002, along with a short justification for the nomination. Since the amount of funding remaining in the reserve for these nominated proposals will not be known until after the September 6, 2002, pooling, we will hold the lottery shortly after June 11, 2002, and advise the State Offices of the likelihood of their proposal being funded. State Offices will be advised of authorization of selected reserve projects shortly after the September 6, 2002, pooling.

CRITICAL DATES - FISCAL YEAR 2002

February 25, 2002	Notice in the Federal Register of the preapplication deadline.
February 25, 2002	Opening date for the acceptance of preapplications.
May 13, 2002	Last day for publication of the 15 - day public comment process.
May 28, 2002	Closing date for receipt of preapplications.
June 11, 2002	Deadline for District Office/State Office review of preapplications. Issuance of AD-622's, "Notice of Preapplication Review Action," to rejected or incomplete preapplications.
June 11, 2002	Last day for receipt by National Office of preapplications along with the priority scoring information for the EZ/EC REAP set aside funds.
June 11, 2002	Last day for completion of ranking process by the State Office.
June 11, 2002	Last day for receipt by National Office of Exhibit G listing all preapplications received, reviewed, ranked, amount applied for, number of proposed units, and amount recommended by the State Office. Must include nominations for reserve funds.
July 2, 2002	Projects to be funded will be selected.
July 16, 2002	Issuance of AD-622's to selected and non-selected applicants.
September 5, 2002	Last day for obligation of HPG funds and notifications per RD Instruction 2015-C (Copy sent to MFPD)
September 6, 2002	Pooling date of all unobligated funds and authorization of funds for proposals.
September 20, 2002	No further obligations permitted.